

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 SIG-01 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMCONSUL NAHA

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMCONSUL SYDNEY

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: BEXP

SUBJECT: APCAC CONFERENCE - JAKARTA

REFS: A) JAKARTA 13673; B) JAKARTA 13712

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1. APCAC CONFERENCE IN JAKARTA HAD EVERY GOOD INTENTION

TO FOCUS ON QUESTION OF APCAC'S FUTURE ROLE, ORGANIZATION AND EFFECTIVENESS BUT MUCH TO THE CHAGRIN OF MANY OF ITS PARTICIPANTS GOT SIDETRACKED ON THE CONTROVERSY BETWEEN THE TAIWAN AND HONG KONG CHAMBERS ON THE CHINA RESOLUTION. IT REMAINS TO BE SEEN WHETHER DISILLUSIONMENT OF MANY MEMBERS OVER THESE PROTRACTED AND ESSENTIALLY NOT VERY FRUITFUL DEBATES WILL RESULT IN THEIR ELIMINATION FROM FUTURE AGENDA OR WHETHER NOTHING CAN BE DONE ABOUT SOME CHAMBERS' STRONG DESIRE TO BRING HOME APCAC ENDORSEMENT FOR THEIR CHERISHED POSITIONS. STATE REP (GEBER), FOLLOWING EMBASSY SINGAPORE'S HELPFUL SUGGESTIONS, ASSURED APCAC OF CONTINUED-STATE DEPARTMENT INTEREST IN THEIR ACTIVITIES AND DISCRETELY URGED THEM TO FOCUS THEIR EFFORTS ON ISSUES OF PRIMARY CONCERN TO BUSINESS. RESOLUTION ON US GOVERNMENT SUPPORT TO BUSINESS AND FORMATION OF POLITICAL ACTION COMMITTEE, THOUGH RELEGATED TO LAST DAY OF AGENDA, ARE A BEGINNING IN THIS DIRECTION.

2. MAJOR ATTENTION OF THE MEETING WAS DEVOTED TO CHANGES IN SECTION 911 OF THE INTERNAL REVENUE CODE WHICH AFFECT ADVERSELY US CITIZENS LIVING ABROAD. THE STRONGLY FELT VIEW THAT STATE DEPARTMENT IS TO BE BLAMED FOR NOT LOBBYING AGAINST CHANGES IN SECTION 911 WAS MUCH DEFUSED BY A LETTER FROM DEPUTY ASSISTANT SECRETARY BILLER IN WHICH HE FRANKLY EXPLAINED THAT THE SENATE/HOUSE CONFERENCE ACTION ON SECTION 911 CAUGHT DEPARTMENT BY SURPRISE. OUR POSITION WAS HELPED BY US CHAMBER REP WHO ALSO ADMITTED THAT THROUGHOUT PROTRACTED CONGRESSIONAL CONSIDERATION OF TAX REFORM BILL US CHAMBER DID NOT EXPECT ACTION ON SECTION 911 AND WHEN ACTION DID COME, OTHER PROVISIONS OF BILL EITHER FAVORABLE OR NOT TOO DETRIMENTAL TO BUSINESS INTERESTS INDUCED US CHAMBER NOT TO LOBBY AGAINST SECTION 911.

3. AS POSTS ARE AWARE APCAC AGREED ON ACTION PROGRAM RELATING TO SECTION 911 CONSISTING OF THREE PARTS:
1) A CLASS ACTION SUIT TESTING LEGALITY OF THE US TAXING AMERICAN CITIZENS ABROAD ON THEIR FOREIGN SOURCE INCOME;
2) TO SEEK RELIEF FROM RETROACTIVE EFFECT OF CHANGES TO SECTION 911; AND 3) TO START A CAMPAIGN TO CALL ATTENTION LIMITED OFFICIAL USE

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TO THE ALLEGED DISCRIMINATION FAVORING TAXATION OF USG EMPLOYEES OVERSEAS VIS-A-VIS NON-GOVERNMENT EMPLOYEES. THERE WAS CONSIDERABLE SKEPTICISM AMONG LEGAL AND TAX EXPERT MEMBERS OF APCAC ABOUT THE FEASIBILITY OF A CLASS ACTION SUIT AND DECISION TO GO AHEAD ONLY MEANS THAT APCAC WILL EXPLORE POSSIBILITY OF SUCACTION. APCAC MEMBERS ALSO FELT THAT SUCH MOVE WOULD INVITE GREATER PUBLIC AND CONGRESSIONAL ATTENTION TO ISSUE.

AS REGARDS LONGER TERM PROGRAM, APCAC IS INCLINED TO MOVE IN DIRECTION OF ADVOCATING THAT SECTION 911 BE MADE MORE COMPARABLE TO SECTION 912, I.E. THAT NON-GOVERNMENT INDIVIDUALS ALSO RECEIVE TAX EXEMPTION ON ALLOWANCES RELATED TO COST OF LIVING ABROAD.

4. OTHER ISSUES OF PARTICULAR INTEREST TO EMBASSIES WERE AS FOLLOWS:

A. THERE WAS GENERAL SATISFACTION WITH AMCHAM-EMBASSY RELATIONS, BUT SOME COMPLAINT WAS VOICED THAT EMBASSIES ARE MORE INTERESTED IN TRADE PROMOTION THAN IN PROTECTION AND FACILITATION OF INVESTMENT. STATE REP DISPUTED THAT EMBASSIES ARE MORE RELUCTANT TO PROVIDE APPROPRIATE SERVICES TO AMERICAN BUSINESSMEN INTERESTED IN INVESTING THAN TO THOSE ENGAGED IN TRADING. HE CITED THAT IN SEVERAL POLICY PAPERS, CONGRESSIONAL BRIEFINGS,

ETC. ROLE OF AMERICAN INVESTMENT IN THE EA REGION IS CITED SIDE BY SIDE WITH THE EXPANSION OF TRADE AND WITH RAW MATERIAL SUPPLIES AS INDICATORS OF THE ECONOMIC IMPORTANCE OF REGION. HE ALSO MENTIONED ON-GOING INTERAGENCY STUDY UNDER CIEP ON INVESTMENT DISPUTES AND POINTED OUT THAT IN THE US/PHILIPPINE ECONOMIC NEGOTIATIONS THE US GOVERNMENT IS INTENT ON OBTAINING A BETTER DEAL FOR US INVESTORS THAN THE AMERICAN CHAMBER.

B. APCAC WAS VERY MUCH IN FAVOR OF CONTINUED AND STRENGTHENED ACTIVITIES OF OPIC. STATE REP POINTED OUT THAT IN 1977 OPIC WILL AGAIN FACE THE PROBLEM OF CONGRESSIONAL RENEWAL OF ITS MANDATE AND WELCOMED APCAC SUPPORT.

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C. ON TECHNOLOGY TRANSFER STATE REP EXPLAINED US GOVERNMENT POSITION IN FACE OF INCREASING DEMAND OF LDCS AND ALSO INDICATED DESIRE TO BE OF ASSISTANCE WHERE LAWS, DECREES, POLICIES AND PROCEDURES OF HOSTS GOVERNMENTS

INFRINGE ON PATENT AND CONTRACTUAL RIGHTS OF AMERICAN BUSINESS. IN ORDER TO BE EFFECTIVE IN PROTECTING THESE INTERESTS HE INVITED APCAC MEMBERS TO BRING SPECIFIC PROBLEMS OF SIGNIFICANT CONCERN TO THE ATTENTION OF OUR EMBASSIES.

D. MAJOR PROJECTS LIST. AT THE URGING OF THE AUSTRALIAN AMCHAM, APCAC DECIDED TO COMPILE AND CIRCULATE AMONG ITS MEMBERS A LIST OF MAJOR PROJECTS IN REGION. LIST IS TO BE UP-DATED EVERY THREE MONTHS.

WE SUGGESTED THAT AMCHAMS KEEP IN TOUCH WITH EMBASSY
COMMERCIAL SECTIONS FOR USEFUL EXCHANGE OF
INFORMATION ON MAJOR PROJECTS. WE ALSO CAUTIONED ON
PROTECTING LISTS FROM ACCESS BY NON-AMERICAN FIRMS.

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